

CERTIFIED

MAY 1 1986

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under section 501(c)(7) of the Internal Revenue Code.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED].

Article II of your Articles of Incorporation states:

"The purpose of this corporation shall be the environmental preservation of certain recreational land [REDACTED] for the use, benefit and enjoyment of the heirs and descendants of [REDACTED]."

Information submitted with Form 1023 disclosed that the club would be made up of [REDACTED] members who are owners, in joint tenancy, of a parcel of land in [REDACTED], known as "[REDACTED]". [REDACTED] consists of approximately [REDACTED] (M) acres of lakeshore property which includes [REDACTED] cabins.

The above described property is to be used by the members, their families and friends at any time they wish. There is no scheduled social or recreational activities.

Section 501(c)(7) of the Code provides for exemption from Federal Income Tax of clubs organized and operated exclusively for pleasure, recreation, and other nonproftable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations provides that section 501(c)(7) of the Code applies only to clubs which are organized and operated exclusively for pleasure, recreation and other nonproftable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	3/31/86	4/11/86	4/30/86	4/30/86	5-1-86		

[REDACTED]

benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments.

The term "club" as used in the above section of the law contemplates the comingling of members, one with the other, in fellowship. Personal contacts and fellowship must also play a material part in the life of an organization in order for it to come within the meaning of the term "club".

A flying club providing economical flying facilities for its members but having no organized social and recreation program does not qualify for exemption under Internal Revenue Code Section 501(c)(7). See Revenue Ruling 70-32, 1970-1 C.B. 132.

Since the sole activity of your organization is the preservation of property for the heirs of [REDACTED] in an economical manner and there is a lack of comingling and fellowship among members, it is our conclusion that you are not a club organized and operated for social and recreational purposes. Thus you do not qualify for exemption from Federal Income Tax as an organization described in Section 501(c)(7) and you are, therefore, required to file Federal Income Tax returns on Form 1120.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Prompt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely yours,

[REDACTED]
District Director

Enclosures:
Form 6018
Pub. 892